



3 Reasons Aphria (TSX:APHA) Could Beat Aurora Cannabis (TSX:ACB) in Europe

Description

While the battle among Canadian marijuana producers for Europe market dominance continues to shape up in 2020, clear winners are emerging judging from recent licensing developments, capacity analysis and related strategic moves from the respective challengers.

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) and **Canopy Growth** have enjoyed some first mover advantage after reporting some significant sales run rates in Germany over the past 18 months, but a new dynamic is emerging after **Aphria's** (TSX:APHA)(NYSE:APHA) latest strides since 2019 and I believe the new challenger could run away with the winning trophy.

Better distribution prowess

Aphria became a serious contender in Germany since its acquisition of pharmaceutical products distributor CC Pharma in January last year, gaining access to over 13,000 pharmacies in Europe with a near \$90 million quarterly sales rate.

Meanwhile, Aurora's Germany acquisition, Pedanios had access to much fewer distribution points and has been contributing less than \$5 million in average revenue per quarter to the company's income statement.

One could argue that Aurora was selling its own products there, while CC Pharma has been buying stuff from other producers, but that's likely going to change very soon, as the mother company has better capacity to replace inventory purchases with internally produced products.

Better licensed capacity

Aphria recently [received double](#) European Union Good manufacturing Practices (EU GMP) certifications for its Malta based processing facility and for its flagship facility in Canada, and the company is now full capable of flooding CC Pharma warehouses with its Canadian produce.

Not only does the new competitor have better distribution networks, it has a much higher capacity to feed cannabis products into Europe than its competitor.

After receiving its third EU GMP license this month, Aurora's three licensed facilities have a combined productive capacity of about 39,800 kilograms per year that could all be exported to Europe.

APHA's One facility can produce around 110,000 kilograms of marijuana per year, and this facility received its EU GMP licenses in January. The company can choose where to sell the bulk of its product, and the higher margins in Germany are tempting.

Better financial capacity to execute after local tender win

Both Aurora and Aphria recently won the highly contested local production tenders to build marijuana grow facilities in Germany, but the earlier is facing severe cash flow challenges, while the later ranks among the best financed pot producers in the industry today with nearly \$600 million in cash after the recently closed \$100 million strategic investment by an institutional investor.

I believe that Aphria is better placed to quickly execute local expansion plans in Germany than its competitor, who has recently announced plans to cut capital expenditures to preserve liquidity while holding on to just \$156 million in the bank.

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Date

2025/08/23

Date Created

2020/02/08

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